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PROGRAMME PLANNING: COUNTRY, INTERCOUNTRY PROGRAMMES AND PROJECTS

FIFTH COUNTRY PROGRAMME FOR NEPAL

Programme period	Resources	$
January 1992 to December 1996	Net IPF for 1992-1996	72 907 000
	Estimated cost-sharing	330 000
	Total	73 237 000

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I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Current socio-economic situation

1. The fifth country programme for Nepal is being launched in the aftermath of the revolutionary changes which took place in the country in 1990 and 1991. As a direct result of public protests initiated in early 1990 by a popular movement, the Government of the party-less panchayat system resigned and was replaced by an interim government based on a broad coalition of previously outlawed political parties. In November 1990, a new Constitution was promulgated which introduced a constitutional monarchy and freely contested democratic elections. Free parliamentary elections were held in May 1991, and resulted in the formation of the first freely elected government in over 30 years. These fundamental changes have ushered in a new era in Nepal and opened up new opportunities for the country's socio-economic development.

2. Largely isolated from the rest of the world until the early 1950s, Nepal was only affected marginally by the significant and rapid political and economic changes that occurred elsewhere in the first half of the 20th century. Given its relatively late exposure to the impact of modern technology and its recent transformation from a subsistence to a modern economy, Nepal has made substantial progress during the past 40 years. None the less, Nepal remains one of the poorest nations in the world and is classified by the United Nations as a least developed country (LDC). Its per capita gross national product (GNP) has stagnated around $170 in recent years. Its population, currently estimated at 19 million, has doubled in the last 25 years and is expected to double again in the next 25 years. Half the population subsists below the absolute poverty line. More than 90 per cent of the population are still dependent on agriculture, which contributes about 60 per cent of the total gross domestic product (GDP).

3. The United Nations Development Programme (UNDP) human development report of 1991 ranks Nepal sixteenth from the bottom on the human development index. The country's adult literacy rate, estimated at 35 per cent, is among the lowest in Asia. Life expectancy is only about 53 years, and infant mortality is 125 per 1,000 live births. There is a wide gap between males and females in all socio-economic aspects, as demonstrated by the fact that the human development index for females is half of that for males. The female literacy rate at 18 per cent is only one third of that for males (52 per cent), and - contrary to most countries - life expectancy is lower for females than for males. Similarly, there are wide rural/urban gaps in all socio-economic aspects.

4. Nepal's topography enforces isolation in many parts of the country, and internal communications are poor. At the same time, environmental degradation in the fragile Himalayan ecosystem is an increasing problem, brought about largely by man-made factors such as rapid deforestation and growing expansion of agriculture onto marginal lands. As a result, Nepal's endowments of soil, water and vegetation are seriously threatened and may not, unless immediate

remedial measures are taken, provide the country's rural population with a sustainable livelihood in the decades to come.

5. During the past few years, Nepal's economic performance was adversely affected by a number of internal and external developments such as the trade-and-transit impasse with India (1988-1990), the Gulf crisis (1990-1991), and the fundamental political changes on the domestic front (1990-1991). These events contributed to a slowdown in GDP growth to 2 per cent per year during 1989-1990, well below the population growth rate. Progress continues to be made in implementing structural adjustment reforms which were launched in 1987, and the Government has generally maintained macroeconomic stability, despite increasing fiscal pressures from recent wage increases, increased subsidies and inflation. Nepal's economic policy is influenced by the fact that it is a land-locked country with a long and open border with India. Also, while the country is in a relatively sound foreign exchange position, it is seriously short of resources for domestic investment.

6. Notwithstanding these great difficulties, Nepal has, during the last three decades, with major assistance from the donor community, made important advances in the field of infrastructure, as well as in the productive and social sectors. Moreover, many opportunities for further development exist, provided that available resources are efficiently managed. At 83,000 megawatts (MW), Nepal's potential for development of hydroelectric power is one of the largest in the world, offering good prospects for low-cost power for domestic use and for large-scale exports of spare electrical capacity to power-short India. The country's remaining forest resources also hold important potential for development, if managed and utilized in a sustainable manner.

7. With scenic beauty and a rich cultural history, tourism is one of Nepal's most promising industries, capitalizing on, rather than being hampered by, the country's rugged topography. India's proximity and Nepal's easy access to its huge markets, combined with favourable tariff arrangements, provide important prospects for export-oriented industries. Building upon the present agricultural base, greater and more efficient use of irrigation and other agricultural inputs hold promise for larger crop yields for domestic consumption, as well as for agro-industrial development. Moreover, Nepal has a large pool of trained technical personnel whose skills could be harnessed for development.

B. National development objectives and strategies

8. While the newly elected Government's specific strategies and programmes are still being defined for embodiment in the eighth five-year development plan, the overall thrust and direction of its development policies have been spelled out, first in His Majesty's speech to the inaugural session of Parliament in July 1991 and the 1991-1992 development budget of the new Government, and, subsequently, in a more detailed manner in the National

Planning Commission's "Approach Paper" for the eighth plan, which will cover the period from mid-1992 to mid-1997. On this basis, the Government's development goals, strategies and policies are as follows:

(a) Poverty alleviation is the Government's highest priority. Towards this end, major emphasis will be given to employment and income generation in agriculture, as well as cottage and small-scale industries. Particular attention will be paid to the problems of women, children and other economically and socially disadvantaged groups;

(b) Special attention will be given to priority areas for human development, particularly education, basic health services, family planning and drinking water;

(c) The private sector will be encouraged, and efforts will be made to attract foreign capital and technology through liberal industrial and commercial policies. In addition, a concerted effort will be made to stimulate the export sector;

(d) Rural transportation, rural electrification and similar infrastructure development will receive priority to ensure that the benefits of development reach the poor and disadvantaged;

(e) Mobilization of domestic resources for development will be enhanced by making revenue collection and administration more effective and by simplifying rules and procedures. Efforts will also be made to improve the utilization of foreign aid; and

(f) Steps will be taken to strengthen environmental conservation, including forest and watershed management, the promotion of alternate sources of energy, and pollution control.

II. EXTERNAL COOPERATION

A. External cooperation priorities

9. External cooperation plays a major role in Nepal's development process. Over the past five years, external aid disbursements have fluctuated between 45 and 56 per cent of the development budget. Of the $438 million recorded as aid receipts in UNDP's development cooperation Report for 1989, multilateral agencies provided 57 per cent and bilateral donors 43 per cent. The World Bank and the Asian Development Bank (AsDB) were the largest lending institutions providing 24 and 18 per cent, respectively, of all concessional loans. The United Nations system accounted for 12 per cent of all grant aid.

10. In 1989, technical assistance to Nepal originated from various bilateral donors (55 per cent), the United Nations system (32 per cent), and other multilateral donors (13 per cent). UNDP provided over 23 per cent of all technical assistance and was, as such, the leading donor in this field. The

single largest component of external aid to Nepal went to the agriculture sector (27 per cent); with energy, transport and communication in second place (26 per cent).

11. A disturbing feature of development assistance was the low share of total aid flows to Nepal which was allocated to the social sectors. Education, health and social development received only 14 per cent of total assistance; and nearly 80 per cent of the aid to these sectors came from UNDP and other United Nations agencies.

B. Aid coordination arrangements

12. Responsibility for coordinating foreign assistance is vested in the Government and is exercised by the Ministry of Finance. The National Planning Commission has in recent years played a limited role in this regard, but is expected to assume a more active stance in the future. The Government is taking steps, with UNDP assistance, to further strengthen its coordinating capacity.

13. The Government also encourages and/or participates in donor coordination arrangements at various levels: a consultative group under World Bank auspices, the local aid group convened by the Finance Minister, and the donors group which is co-chaired by the Resident Representatives of UNDP and the World Bank. At the sectoral level, a considerable number of ad hoc working groups have been established to ensure donor coordination, for example, in the fields of agriculture, forestry, environment, health and population.

14. Within the United Nations system, the resident coordinator promotes coordination through regular meetings and other both formal and informal interactions among all United Nations agencies represented in Nepal.

III. THE COUNTRY PROGRAMME

A. Assessment of the ongoing country programme

15. An in-depth assessment of the fourth country programme has brought out the following important findings that are crucial to the design of the fifth country programme:

(a) UNDP technical assistance interventions have in recent years increasingly adopted a sector programming approach, especially in sectors such as development administration, civil aviation, telecommunications, forestry and irrigation. Within each of these sectors, a cluster of projects was designed to address many interlinked policy, management and institutional issues, bringing more focus and coherence to the programme. However, other technical cooperation activities were fragmented into a number of unrelated projects, and it is necessary, in the future, to avoid such fragmentation;

(b) Successful efforts were made to integrate particular programme initiatives with the requirements of structural adjustment. UNDP assistance enabled the Government to initiate and develop new economic policies and programmes in the changed political context. This was particularly evident in renewed efforts to strengthen the institutional capacity of the central agencies of the Government, and such institution-building needs to be pursued over a longer term;

(c) With nearly one third of UNDP-assisted projects being executed by the World Bank and AsDB, a close relationship with Nepal's capital investment programmes has developed. Yet, while technical cooperation is partly intended to generate productive investments, it is necessary to examine closely the impact and benefits of this relationship on the development process as a whole. Especially important is the question of capacity-building and sustainability in cases where technical assistance is associated with capital investments;

(d) The absorptive capacity of government institutions needs to be taken account of more extensively when programmes and projects are designed and their components determined;

(e) Problems were identified in many projects relating to the quality of project execution, the delivery of expert services, and the suitability of training opportunities. The initial duration of projects was, in many cases, too short, and locally available expert consultancy services could have been more fully utilized. In several cases, subcontracting arrangements made by executing agencies were unsatisfactory, and this implementation modality needs to be assessed more carefully.

B. New proposals for UNDP cooperation

1. Preparatory process

16. Because of the recent political and constitutional changes in the country, the fourth country programme was extended by one year. During the period of the preparation of the fifth country programme, the United Nations Population Fund (UNFPA) and UNICEF completed their multi-year programming exercises, and several other United Nations agencies - notably the Food and Agriculture Organization of the United Nations (FAO), the International Civil Aviation Organization (ICAO), the International Labour Organisation (ILO), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the United Nations Industrial Development Organization (UNIDO) - mounted sector-review or programming missions, all of which contributed to and facilitated the country programme formulation process. Another noteworthy input was the UNDP/World Bank study "Nepal: Relieving Poverty in a Resource-Scarce Economy", which provided a detailed analysis and proposed agenda for poverty eradication.

17. UNDP's advisory note on the fifth country programme recommended that the new country programme be defined in terms of four programme themes: expansion of the productive base of the economy; human resources development; strengthening of development planning and administration; and management of the environment. The Government concurred with these priorities.

2. Strategy for UNDP cooperation

18. Based on the country's needs and UNDP's comparative advantage, the Government has decided to focus the fifth country programme's resources on two broad thematic areas of concentration: (a) human development and poverty alleviation, and (b) environmental conservation. Within these two areas of concentration, five broad programmes have been identified to address key development issues that are critical to improving the conditions of the poor and to effective governance in the overall context of Nepal's new democratic system and commitment to participatory development.

19. In designing these national programmes, an important element of the Government's strategy is to weave into particular components the global themes to which UNDP attaches high priority, and with which the Government has made common cause both at the national level and in international fora. Key concerns such as poverty alleviation, women in development, environment and natural resource management, transfer of technology, management development, and technical cooperation among developing countries (TCDC) constitute essential elements of the new country programme.

20. Five distinctive principles have determined the strategy of the proposed country programme, as follows:

(a) UNDP technical assistance is sought in those areas of development where UNDP has acquired an important comparative advantage in the last two decades. In areas such as development administration both at the national and local levels, and in sectors such as agriculture, forestry, irrigation and the environment, UNDP has an impressive track record and a wealth of experience and is able to offer cost-effective technical cooperation;

(b) Given UNDP's global and national concerns with human development issues, the Government wishes to utilize UNDP channels of technical assistance to overcome critical constraints which hinder more rapid improvements in social and human development indicators such as the literacy rate and average life expectancy;

(c) UNDP technical cooperation has the capacity to deal with productivity and distribution which are central to poverty alleviation strategies, not least in the context of the capital assistance efforts from major multilateral and bilateral donors; moreover, UNDP assistance can also make an important contribution to maximizing the country's benefits from capital assistance programmes;

(d) Being neutral relative to national and commercial interests, UNDP is able to provide the Government with impartial assistance in sensitive policy-related areas such as aid management, planning of resource allocations and financial management; and

(e) UNDP's long experience in institution-strengthening and training and, more importantly, its neutral, non-political nature as well as its assurance of continuity of assistance give it a comparative advantage for capacity-building.

3. Proposed UNDP cooperation in selected areas of concentration

(a) Area of concentration: human development and poverty alleviation

21. Within this area of concentration, three programmes have been identified for implementation: Development Policy and Management; Strengthening of the Productive Sectors for Income Generation and Employment; and Access to Basic Services for the Poor. While these programmes are to be managed separately, it is clearly desirable that the many interrelationships between them are fully exploited to achieve greater synergy in programme effectiveness.

Development policy and management

22. The planning and management capabilities of the Government are inadequate to meet the needs of a modern, developing economy and to provide the basic services required by the poor. Moreover, Nepal receives a considerable amount of assistance from a wide variety of donors which cannot be effectively utilized because of the Government's lack of management capacity. The objective of this programme is, therefore, to enhance the capacities of the Government to plan, identify, formulate and manage development programmes, and to mobilize resources more effectively.

23. The programme will undertake a variety of interventions to strengthen the Government's central agencies - the National Planning Commission, the Ministry of Finance, and the Ministry of General Administration - as well as the management capacities of key sectoral agencies of government, including those engaged in urban management, rural and local development, export promotion and industrial development. Emphasis will be placed on upgrading their capacities for policy analysis and programme and resource management.

24. Rural and urban administration will be strengthened with special emphasis on a participatory, bottom-up approach in policy and programme formulation, planning, management and implementation. This will be crucial to the efficient implementation of the Government's policy to decentralize administration and target development programmes towards Nepal's poor majority.

25. All these interventions described above are geared to support Government's overall objectives of poverty alleviation, economic policy reform and administrative reform, the latter being also supported by agencies such as the International Monetary Fund (IMF), the World Bank and AsDB within the context of a structural adjustment programme which is intended to lead to significant improvements in macroeconomic, fiscal and monetary policy. UNDP's efforts will be complemented by bilateral donors, for example, by Germany, in urban planning and management, and by the United Kingdom, in civil service training.

26. The achievement of the objectives of this programme will be measured by the extent of future improvements in the institutional capacity of the Government's central agencies for policy analysis, investment management, management of foreign aid and technical assistance, as well as by the degree to which current administrative systems in the Government's sectoral agencies and at decentralized levels deliver better services to the poor.

Strengthening of the productive sectors for income and employment generation

27. Nepal's income levels are among the lowest in the world, and half the population subsists below the absolute poverty line. There are also significant gender gaps. As a result, the human condition, as measured by the human development index, is very poor throughout the country. The objective of this programme is to generate new income and employment opportunities, especially in the small-holder agricultural sector and within the agro-based, labour-intensive, small-scale industries which will allow the poor to improve their situation. The programme is aimed at both the agricultural and manufacturing sectors and seeks primarily to improve the conditions of the more than 90 per cent of the people who live in the rural areas, especially the female population, where unemployment and underemployment are very high.

28. The activities envisaged for UNDP are closely integrated with the Government's overall objectives for improvements in these sectors. The Government's main aim in the agriculture sector is to improve the productivity of small farmers. In the industry sector, the thrust is to stimulate agro-based industrial production at the cottage, small-scale and medium-scale levels, through technology transfer and development of export markets.

29. Three components have been identified as essential to the improvement of the agricultural productive base of the economy, as follows: (a) irrigation is a key factor in increasing agricultural production and productivity. UNDP will be asked to continue to extend support to small-scale and medium-scale irrigation schemes under farmer management; (b) crop diversification is an essential ingredient in the generation of new income and employment opportunities and, in most farming areas of Nepal, there is significant scope for expansion of horticulture and the livestock sector; and (c) interventions are required to increase productivity in traditional crops through improvements in agricultural extension, greater access to credit, fertilizer and other inputs, and more rational marketing systems.

30. Parallel and complementary activities of other donors include the AsDB's extensive involvement in the livestock and horticultural sectors, the World Bank in agricultural research and extension, the International Fund for Agricultural Development (IFAD) and Germany in small farmer development, Switzerland and FAO in vegetable seeds and production, and Finland, Japan, Canada and the Netherlands in fertilizer supply. The United Nations Capital Development Fund (UNCDF) has been instrumental in developing a comprehensive vegetable marketing system. UNDP interventions will collaborate closely with these other programmes.

31. UNDP assistance in the industrial sector will be focused on transfer of appropriate technology to a range of agricultural and forest-based industries, on the provision of training facilities to those engaged in industry, and on strengthening private sector growth through investment and export promotion. Also, UNDP assistance will be used to accelerate the privatization of the parastatal sector.

32. Efficiency in industry, including agro-industry, is to a great extent dependent on the supply of power. With an estimated 83,000 MW of hydropower generation potential, water resources are a great natural endowment of Nepal. The highest priority is therefore attached to harnessing this resource for electrification of both the urban and rural areas. UNDP assistance is required to enable the Government to make well-founded investment decisions in the hydropower sector and to bring investment proposals forward to the detailed design stage. Technical assistance will therefore be directed towards the development of feasible and economic schemes in this field.

33. The achievement of the objectives of this programme should be measured by the extent to which its various activities contribute to an increase in agricultural productivity, the acceptance by farmers of a greater diversity in crops and cropping patterns, the coverage of small farmers by agricultural input delivery services, improvements in irrigation systems, an expansion of the agro-based industrial sector, and increased investments in power generation.

Access to basic services for the poor

34. The vast majority of poor people in Nepal have inadequate access to basic services in health and education, nor do they have easy access to training for gainful employment. As a result, life expectancy in Nepal is only 53 years, and the population growth rate is estimated to be between 2.1 and 2.4 per cent. UNDP assistance is considered especially appropriate to these issues which are central to human development in the country. Issues relating to women in development will be a major focus of the programme.

35. The Government fully subscribes to the goal of "Health for All by the Year 2000", and the principal aim of the health component of this programme is to make significant progress towards achievement of this objective. UNDP's assistance will support improvements to health management systems, especially in primary health care at the central and district levels, and development of

decentralized health delivery systems, which will contribute to greater access to basic health care and family planning services. Collaboration with UNFPA and UNICEF is planned in all these areas. UNDP can also make an important contribution to the Government's efforts to prevent the rapid spread of the human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) virus, as a result of its extensive experience in addressing this problem in many countries.

36. In 1991, UNDP funded the preparation of a basic and primary education master plan which articulates the Government's priorities in this sector and assisted in developing innovative educational technologies for the isolated mountain areas. The Government's priorities are the eradication of illiteracy and the provision of access to free primary education to all children, both girls and boys. Technical assistance is planned to improve education at the primary and secondary levels in the rural areas, curriculum development, development of low-cost materials, and upgrading of teacher training. UNDP assistance will be used to complement the aid of other donors such as AsDB, Denmark, Japan, UNESCO, UNICEF, the United States Agency for International Development (USAID) and the World Bank.

37. Support is also required to upgrade vocational training capacities and thereby provide the skilled manpower base for the growth of rural and agro-based industry. Training of this kind will facilitate the transfer of appropriate technology to rural areas. Innovative methods of formal and non-formal training will be utilized in undertaking this programme component so as to ensure cost-effective training; UNV specialists are expected to play an important role. UNDP interventions will complement the activities of other donors in this field, notably AsDB, the Swedish International Development Agency (SIDA) and the Danish International Development Agency (DANIDA).

38. The achievements in this area should be judged by its contribution to the improvement of Nepal's social conditions, particularly life expectancy and literacy rates. More specifically, its contribution should be measured by the increased number of people obtaining access to health and education services, especially women, and to vocational training for gainful employment.

39. Infrastructure development in Nepal, including road transport, telecommunications and civil aviation, is a high priority to ensure access and effective service delivery to the remote rural areas. Assistance will therefore be continued in these sectors, particularly in support of the Government's transport network plan and its efforts to develop a new road infrastructure through participation of the people.

(b) Area of concentration - environmental conservation

40. In Nepal, the relationship between poverty and environmental degradation is very clear. Nepal's rural environment is in continuing decline, largely as a result of the alarming rate of deforestation. It is estimated that forests and grasslands are being depleted at the rate of 6 per cent per year, partly due to migration from the Himalayan foothills to the Terai of people in search

of land. Land and forest encroachment has led to soil erosion, flooding and frequent landslides. Environmental degradation of this kind has major economic costs through declines in agricultural productivity. Moreover, growing urbanization and industrialization are causing increasing pollution in the urban areas.

41. UNDP assistance within this area of concentration will be used within the ambit of two programmes, that is, a natural resources protection and management programme, and an urban development and industrial pollution control programme. The Government has already developed policies for preserving and rehabilitating the rural environment on the basis of extensive study and analysis of the causes underlying the phenomenon of environmental decline. The national conservation strategy already adopted has laid down the framework for action in this area. At a sectoral level, policies and programmes spelt out in documents such as the forestry master plan offer clear guidance for future technical and capital assistance. Similarly, policies on urban and industrial pollution control have also been formulated.

Natural resources protection and management

42. The objective in this area is to enable the Government to strengthen its institutional capacities and to develop appropriate policies and procedures to safeguard the country's natural endowments. Nepal has considerable diversity of flora and fauna, reflecting its extreme altitudinal and climatic range, from the dense tropical forests of the Terai to Sagarmatha (Mount Everest) - the highest point in the world. Many local species are not found anywhere else. These globally significant treasures of nature are under threat from pressures created by increasing population, widespread poverty, tourism and ill-planned development projects.

43. UNDP assistance for natural resources management will be focused on forestry, including watershed management, soil conservation, and the management of national parks and protected areas. The impact of development projects, including large-scale hydropower schemes, will also be assessed. An integrated approach will be adopted to arrest Nepal's environmental decline in all these areas. The AsDB, Australia, Canada, Denmark, Finland, IFAD, Norway, Switzerland, USAID and the World Bank are actively involved in the forestry sector, while Finland and Norway are active in watershed management. UNDP will work in tandem with these other donor activities.

44. The achievements in this area should be measured by the extent to which environmental decline associated with the depletion of forests and soils is brought under control and by the degree to which environmental concerns are safeguarded in implementation of large-scale infrastructure projects.

Urban development and industrial pollution control

45. The objective of this area is to assist the Government to develop policies, programmes and institutions to manage and control urban development and industrial pollution. Rapid and ill-planned urbanization and industrialization are major sources of pollution of water, land and air in urban and suburban areas. Solid and liquid wastes from households, hazardous industrial wastes, and vehicle emissions, have been major factors in increasing pollution and the declining quality of life, especially among the poor in the Kathmandu valley. The quality of drinking water is specially at risk.

46. UNDP assistance is required to tackle the growing problems of water pollution, solid waste disposal, untreated industrial effluents and vehicle emissions. Assistance will be provided to develop policies and legislation to protect the urban environment and to undertake pilot and demonstration and other activities in these areas. In implementing policies and programmes and legislation, cooperative relationships will be developed with private sector enterprises and non-governmental organizations (NGOs), and UNDP assistance will facilitate the creation of relevant urban environment networks.

47. The achievements under this area should be measured in terms of the adoption of standards and legislation for environmental pollution control and improvements in the environmental situation in the Kathmandu valley and in the urban areas of the Terai.

C. Assistance outside the main country programme areas

48. UNDP assistance is required in several fields and activities outside the main areas of concentration, including support of activities in the areas of tourism, social security and industrial and labour relations. All interventions outside the main areas of concentration will have important direct and indirect effects on the fifth country programme's basic thrust in favour of poverty alleviation. About 10 per cent of programme resources is expected to be committed to assistance outside the main country programme areas.

D. Implementation and management arrangements

49. The assessment of the fourth country programme revealed several programme management issues which need to be addressed by the Government, in close consultation with UNDP and the executing agencies. The Government will also deal with those questions of programme efficiency which concern governmental agencies.

50. The Government is committed to national execution and expects to expand the use of this modality further. In doing so, it wishes to establish new and more flexible relationships with United Nations system agencies in order to capitalize on their comparative advantages. More frequent use will be made of NGOs in designing and implementing programme components. With a programme approach, it is often necessary to obtain the assistance of more than one government agency in programme execution. Consequently, questions of coordination arise, and a clear division of labour within each programme is required. This issue will be addressed by the Government in consultation with UNDP.

51. The Government appreciates the importance of TCDC and has in recent years sought to maximize technical cooperation inputs from relevant sources within the Asia-Pacific region; this trend is expected to continue and to be intensified. Many opportunities exist for the transfer of appropriate, low-cost technologies from other countries in the region.

52. Nepal has been a participant in around 100 regional or subregional projects of UNDP in the 1980s and will remain actively involved in future regional activities as well. A special effort will be made to establish productive linkages and close interaction between the fifth country programme for Nepal and UNDP's regional programme for Asia and the Pacific, both of which have broadly similar priorities, and both of which have been designed on the basis of the programme approach.

53. The Government intends to make greater use of UNDP's various programmes for the provision of specialized personnel such as Transfer of Knowledge through Expatriate Nationals (TOKTEN) experts, the United Nations International Short-term Advisory Resources (UNISTAR) consultants, United Nations Volunteers (UNV) specialists and Domestic Development Service (DDS) field workers. Similarly, the expertise of the Management Development Programme will also be sought in support of national efforts towards improved management systems and managerial competence in Government. In addition, UNDP's comparative advantage lying in its unique access to the broad reservoir of technical expertise in the United Nations specialized agencies will be fully exploited.

54. The fifth country programme will be subjected to regular monitoring through annual and mid-term reviews to ensure that it remains in line with the Government's priorities and effectively meets the country's needs. At the same time, a number of programme evaluations will be carried out to provide detailed feedback on the impact of UNDP's multisectoral interventions.

Annex I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + CS) TAKEN INTO ACCOUNT FOR PROGRAMMING

	(Thousands of dollars)	
Carry-over from fourth cycle IPF	-	
Fifth cycle IPF	77 772	
Subtotal IPF	77 772	
Less borrowing from fourth cycle IPF	(4 865)	
Subtotal IPF		72 907
Project cost-sharing (Government)	-	
Project cost-sharing (Third Party)	330	
Programme cost-sharing	-	
Subtotal cost-sharing		330
Total IPF + CS		73 237

II. ALLOCATION OF RESOURCES (IPF + CS) BY AREA OF CONCENTRATION ($'000)

	IPF total	Cost-sharing	Total	Percentage of total resources
A. Human development and poverty alleviation				
1. Development policy and planning	12 879	302	13 181	18
2. Strengthening productive sector for income and employment generation	21 239	-	21 239	29
3. Access to basic services for the poor	20 804	28	20 832	28
B. Environmental conservation				
4. Natural resource protection and management	8 788	-	8 788	12
5. Urban development and industrial pollution control	2 197	-	2 197	3
C. Assistance outside the main country programme area	7 000	-	7 000	10
Total	72 907	330	73 237	100

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III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES USED IN AREAS OF CONCENTRATION

(Thousands of dollars)

A. UNDP-administered funds		
Special Programme Resources	585	
SMF/LDC	354	
UNCDF	13 160	
UNSO	-	
UNIFEM	88	
UNFNRE	-	
UNFSTD	-	
Subtotal		14 187
B. Other United Nations sources		
JCGP participating agencies		
UNFPA	-	
UNICEF	-	
WFP	-	
IFAD	-	
Subtotal		-
Other United Nations agencies (non-UNDP financed)	-	
Global Environment Facility	4 000	
Subtotal		4 000
Total non-core and other United Nations resources		18 187
C. Expected supplementary funding from other sources		14 000
Total		32 187

Annex II

PROGRAMME MATRIX

Area of concentration	Area of focus a/					
	Poverty eradication and grass-roots participation	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
I. HUMAN DEVELOPMENT AND POVERTY ALLEVIATION						
A. Development policy and planning	*		*			
B. Strengthening productive sector for income and employment generation	*		*	*	*	*
C. Access to basic services for the poor	*		*	*	*	*
II. ENVIRONMENTAL CONSERVATION						
A. Natural resource protection and management	*	*				*
B. Urban development and industrial pollution control		*	*		*	
III. ASSISTANCE OUTSIDE THE MAIN COUNTRY PROGRAMME AREA			*		*	

a/ Asterisks indicate major linkage only.

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FIFTH COUNTRY PROGRAMME FOR NEPAL

Administrator's note

I. PREPARATORY PROCESS

1. In view of the dramatic political and constitutional changes which have occurred in Nepal in the last two years, the fourth country programme was extended by one year. In the formulation of the fifth country programme, the United Nations Development Programme (UNDP) has consulted extensively with the new Government on the basis of the advisory note submitted by the UNDP Resident Representative. United Nations system agencies participated in the preparatory process and a number of them - the Food and Agriculture Organization of the United Nations (FAO), the International Civil Aviation Organization (ICAO), the International Labour Organisation (ILO), the United Nations Educational, Scientific and Cultural Organisation (UNESCO) and the United Nations Industrial Development Organization (UNIDO) - mounted special missions to the country to identify appropriate technical assistance programmes in accordance with the Government's priorities. In addition, the country programming exercises of the United Nations Population Fund (UNFPA) and the United Nations Children's Fund (UNICEF) provided valuable inputs for the UNDP country programme. A study by UNDP and the World Bank entitled, "Nepal: Relieving poverty in a resource-scarce economy" contributed in an important way to the content. The mid-term review of the fourth country programme raised a number of issues which are vital to efficient programme implementation and these have been addressed in the new country programme. An important feature of the Nepal country programme is the continuing effort made to integrate and coordinate UNDP assistance with the capital and technical assistance programmes of multilateral development finance agencies and bilateral donors, as illustrated in the programme document.

2. UNDP resources available under the indicative planning figure (IPF) for the fifth country programme have been established at $77.8 million out of which $4.9 million should be deducted as an over-commitment of the fourth

country programme. Of the $72.9 million actually available for the fifth programme, the spill-over of the fourth programme projects into the fifth will require $14.1 million, leaving a balance of $58.8 million for new programmes and projects. It is expected that the fifth programme will stimulate multi/bilateral arrangements related to the areas of concentration selected by the Government for UNDP cooperation.

II. ANALYTICAL COMMENTARY

3. The Government has spelt out the broad national objectives to be achieved under the eight five-year plan. Poverty alleviation is the central objective of all development efforts - an appropriate objective for a country with a per capita income of $170 and where over 50 per cent of the population live in absolute poverty. The strategy for poverty alleviation centres on improving the access of the poor to basic services such as health, drinking water and education, and thus encompasses the goals of human development. Another aspect of the emphasis on poverty alleviation is the important role assigned to the small-scale agricultural and industrial sectors for income and employment generation. The private sector is expected to play a key role in agricultural and industrial production and in external trade, while the Government concentrates on the social infrastructure. The role of non-governmental organizations (NGOs) is also considered as vital to poverty alleviation, and they are expected to be major contributors to the development effort. Nepal's environment is another major concern. Due to poverty, overpopulation and migration, the country's environment is fast deteriorating. At the same time, rapidly growing urbanization and increasing industrialization are causing growing pollution. It is, therefore, a major Government objective to arrest these trends.

4. UNDP's fifth country programme has been formulated to assist the Government in implementing its ambitious development programmes in support of these major objectives. The Government's strategy for the use of UNDP's technical assistance is predicated on four principles. First, the comparative advantage UNDP has in selected sectors such as development administration, agriculture, forestry, irrigation and the environment is to be exploited in determining the niches towards which UNDP assistance is to be targeted. Second, UNDP's major concern with human development issues is recognized and its assistance channelled to directly related social and economic activities. Third, UNDP assistance is utilized to deal with productivity, distributional and capacity-building issues which are central to poverty alleviation strategies. The importance of complementary technical assistance to obtain the maximum impact on social and economic welfare from capital investment programmes is also recognized. Fourth, in recognition of UNDP's neutrality, a distinctive role is assigned to UNDP's technical assistance programmes in such sensitive policy areas as aid management, national resources planning and financial and budgetary management.

5. Within the framework of these governing principles, UNDP and the Government have agreed on focusing the fifth country programme activities on

two areas of concentration: human development and poverty alleviation; and environmental conservation. Within these two areas of concentration, technical assistance activities are clustered into the following five integrated programmes: development policy and management; strengthening productive sectors for income and employment generation; access to basic services for the poor; natural resources protection and management; and urban development and industrial pollution control. A common strand runs through these programmes in that they are all focused on poverty eradication and human development.

6. Greater efficiency in development administration - a major area for UNDP attention - is a prerequisite for effectively targeting Nepal's own limited resources, as well as the significant amounts of development assistance Nepal is now receiving on poverty issues. UNDP technical assistance is directly addressed to dealing with these issues. Moreover, while Nepal has implemented structural adjustment programmes, it is vital that continuing support is extended to the process of stimulating further structural changes to obtain even greater efficiency from economic and social investments.

7. The programme to strengthen the productive sectors of the economy concentrates its activities on the small farming and small and medium-scale agricultural and forest-based industries in order to create employment and generate incomes, especially in the rural areas. These sectors are handicapped by obstacles which prevent easy access to inputs such as credit, fertilizers, raw materials, training, techniques and technology. It is these dysfunctions that technical assistance aims to overcome, while at the same time providing the poor with greater resources to meet their needs.

8. Life expectancy in Nepal is only 53 years, and population growth rates are estimated between 2.1 and 2.4 per cent. The programme to improve access of the poor to basic services is aimed at improving the human condition by providing better access to primary health care, basic education, safe drinking water supply, and vocational training for gainful employment. This programme has also incorporated an important concern of the global community in preventing the spread of human immune deficiency virus/acquired immunodeficiency syndrome (HIV/AIDS). Though Nepal is not immediately threatened, potential dangers demand early preventive action.

9. The fragile environment of the Himalayan foothills is gravely at risk, and poverty is a major cause. The programme on natural resources protection and management is aimed at stimulating an integrated approach to forestry, watershed, soils and national parks management within the framework of the overall environmental strategies the Government has already developed. UNDP is building upon its previous extensive efforts in these areas in close collaboration with many other donors. The condition of the urban environment in Nepal, especially in the Kathmandu valley, has declined in recent years and needs urgent attention. The programme on urban development and control of industrial pollution will contribute to the improvement of urban environmental conditions.

10. These five programmes directly reflect and encompass UNDP's global thematic concerns - poverty alleviation, women in development, transfer of technology, and the environment. In implementing these programmes, another global concern of UNDP - stimulating technical cooperation among developing countries (TCDC) activities - will also be taken account of fully, since developing countries in the region have capacities and experiences which can also be productively utilized in Nepal's development efforts.

11. The country programme document has recognized the importance of performance indicators when designing and implementing technical assistance programmes. Programmes must develop measurable indicators and criteria to judge the efficiency of technical assistance interventions. While the fifth country programme has addressed this issue, UNDP will work to improve and refine these performance indicators to provide for enhanced measurability.

III. MANAGEMENT OF PROGRAMME IMPLEMENTATION

12. Nepal is shifting to a programme approach to its development which technical cooperation will be required to follow progressively. The transition to this approach will be made as rapidly as possible. The Government is already committed to the modality of national execution, and its use will be steadily expanded for new programmes and projects as national capacity is increased and greater experience is gained. The country programme also envisages close collaboration with United Nations system agencies and non-United Nations system agencies in implementation, as well as with the private sector and NGOs. This should enable the Government to draw from a wide pool of national and international expertise, and management of national programmes will be geared to facilitate this approach. The Government is also clearly committed to link up country-level programmes with the regional programmes of UNDP. It is vital that implementation is monitored closely and annual and mid-term reviews are undertaken.

13. UNDP's major role as one of the co-convenors of, and a central resource in, donor coordination, will be an important asset in implementation of the selected national programmes.

14. The UNDP modality of the United Nations International Short-term Advisory Resources (UNISTAR), as well as funds under the aegis of the Administrator, will be integrated into the country programme to the greatest extent possible. United Nations Volunteers (UNV) specialists, particularly Domestic Development Service (DDS) field workers, will be utilized as much as possible, because of the special nature of their services and their cost-effectiveness. UNDP, the United Nations Children's Fund (UNICEF) and the United Nations Population Fund (UNFPA) have striven to ensure that their efforts are harmonized, both in time and, to the greatest possible extent, in substance, so as to maximize the impact of United Nations assistance.

IV. RECOMMENDATION

15. Technical assistance interventions in the fifth country programme for Nepal are appropriately integrated with national development objectives. They are focused on poverty alleviation and human development. Fragmentation and compartmentalization have been avoided through the adoption of a programme approach with interventions targeted on high-priority tasks. Collaboration with other donor activities and with capital investments is envisaged. UNDP's global thematic concerns are fully addressed. The Administrator endorses and recommends the approval of the country programme.